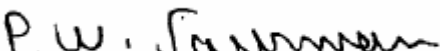


We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name)			Telephone Number	
Street Address			City	State Zip
Authorizing Signature 			Printed Name License Number	

COURTLAND TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2006

COURTLAND TOWNSHIP
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For the year ended March 31, 2006

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For the year ended March 31, 2006

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

July 12, 2006

The Township Board
Courtland Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental and business-type activities, the major funds and the aggregate remaining fund information of Courtland Township (the "Township") as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities, the major funds and the aggregate remaining fund information of Courtland Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Courtland Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Co., P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

As management of the Courtland Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$102,079 (or 1.85 percent).
- Total expenses of the Township's programs were \$1,095,405.
- Total revenues, including all program and general revenues, were \$1,197,514.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$1,936,868, an increase of \$176,098 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$1,718,838, or 265 percent of total General Fund expenditures.
- The Township's Sewer Enterprise Fund had \$2,089,857 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety and public works. The business-type activity of the Township is the Sewer Enterprise Fund.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund, each of which are considered to be major funds. Data from the Inland Lakes Fund is also presented, as it is the Township's only nonmajor governmental fund. The basic governmental fund financial statements can be found on pages 14-17 of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township maintains the Sewer Enterprise Fund to account for its sanitary sewer usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 25-34 of this report.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Courtland Township, assets exceeded liabilities by \$5,633,429 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$3,568,880 (63 percent), reflects its investment in capital assets (e.g. land, buildings, sewer system, and equipment). There is no related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2006.

Courtland Township's Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$1,978,637	\$1,865,171	\$ 193,446	\$ 213,831	\$2,172,083	\$2,079,002
Capital assets	1,606,704	1,571,811	1,962,176	2,003,741	3,568,880	3,575,552
Total Assets	3,585,341	3,436,982	2,155,622	2,217,572	5,740,963	5,654,554
Liabilities						
Current liabilities	41,769	104,401	65,765	18,803	107,534	123,204
Net Assets						
Invested in capital assets	1,606,704	1,571,811	1,962,176	2,003,741	3,568,880	3,575,552
Unrestricted	1,936,868	1,760,770	127,681	195,028	2,064,549	1,955,798
Total Net Assets	<u>\$3,543,572</u>	<u>\$3,332,581</u>	<u>\$2,089,857</u>	<u>\$2,198,769</u>	<u>\$5,633,429</u>	<u>\$5,531,350</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2006:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program revenue:						
Charges for services	\$ 178,178	\$ 208,665	\$ 149,767	\$ 196,103	\$ 327,945	\$ 404,768
Capital grants and contributions	—	—	10,200	—	—	63,871
General revenue:						
Property taxes	387,280	361,108	—	—	387,280	361,108
State sources	397,594	395,844	—	—	397,594	395,844
Investment earnings	66,257	36,427	4,732	3,130	70,989	39,557
Other	3,476	113,576	—	—	3,476	113,576
Total revenues	<u>1,032,785</u>	<u>1,179,491</u>	<u>164,699</u>	<u>199,233</u>	<u>1,197,484</u>	<u>1,378,724</u>
Expenses						
General government	268,887	284,841	—	—	268,887	284,841
Public safety	238,295	217,863	—	—	238,295	217,863
Public works	284,196	419,378	—	—	284,196	419,378
Other township	30,416	32,139	—	—	30,416	32,139
Sewer operations	—	—	273,611	214,166	273,611	214,611
Total expenses	<u>821,794</u>	<u>954,221</u>	<u>273,611</u>	<u>214,166</u>	<u>1,095,405</u>	<u>1,168,387</u>
Increase (decrease) in net assets	210,991	225,270	(108,912)	(14,933)	102,079	210,337
Net assets - beginning of year	<u>3,332,581</u>	<u>3,107,311</u>	<u>2,198,769</u>	<u>2,213,702</u>	<u>5,531,350</u>	<u>5,321,013</u>
Net assets - end of year	<u>\$3,543,572</u>	<u>\$3,332,581</u>	<u>\$2,089,857</u>	<u>\$2,198,769</u>	<u>\$5,633,429</u>	<u>\$5,531,350</u>

Governmental activities increased the Township's net assets by \$210,991. Key elements of this increase are as follows:

- Property taxes increased by \$26,172 (7 percent). This increase is a product of new construction in the Township and increased valuations on existing properties.
- Investment earnings increased by \$29,830 (55 percent) due to more favorable interest rates.
- Total expenses decreased by \$132,427 due mainly to a reduction in road improvements in 2005-06.

Business activities (sewer operations) decreased the Township's net assets by \$108,912 due mainly to increased system operation and maintenance and repair expenses.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,936,868, an increase of \$176,098 in comparison with the prior year. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Courtland Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$785,382 and total expenditures of \$647,417. It ended the year with a fund balance of \$1,718,838, up from \$1,580,873 at March 31, 2005.

The *Fire Fund* levies property taxes for fire protection services. The Fund had total revenues of \$217,298 and total expenditures of \$177,265. The expenditures include \$94,146 for new vehicles and equipment. It ended the year with a fund balance of \$159,787, up from \$119,754 at March 31, 2005.

Nonmajor Funds

The *Inland Lakes Fund* levies property taxes to be used for weed control at Township lakes. Total revenues were \$38,405 and expenditures totaled \$40,305. It ended the year with a fund balance of \$58,243, down from \$60,143 at March 31, 2005.

Proprietary fund. The Township's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Sewer Enterprise Fund had total revenues of \$164,699, total expenses of \$273,611 and a decrease in net assets of \$108,912 from March 31, 2005.

General Fund Budgetary Highlights

No changes were made to the Township's original adopted budget during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township had a \$4,881,048 investment in a broad range of capital assets, including land, land improvements, sewer system, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the Notes To Basic Financial Statements.)

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Capital asset purchases totaled \$84,835 for the fiscal year with accumulated depreciation increasing \$94,504. The net book value of capital assets at March 31, 2006 is detailed as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 47,745	\$ —	\$ 47,745
Land improvements	29,749	—	29,749
Buildings and improvements	1,191,235	—	1,191,235
Sewer system	—	1,962,176	1,962,176
Vehicles	222,950	—	222,950
Furniture and equipment	115,025	—	115,025
Net Capital Assets	\$ 1,606,704	\$ 1,962,176	\$ 3,568,880

Long-Term Debt

The Township had no long-term debt outstanding at March 31, 2006 or 2005.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2006-07 anticipates an excess of expenditures over revenues of \$354,128 to be drawn from the previous year's fund balance, due mainly to increased road improvement expenditures. This estimate reflects conservative budgeting for property tax revenues and for continuing reductions in state shared revenues. The Township strives to maintain a high quality of taxpayer service, including paving roads, while trying to control/reduce costs within the Township. The Township Board's policy has been to save money for future projects, such as the township park plan, in order to incur minimal debt. Over the past fourteen years we have constructed two fire stations and a township hall following this policy and, thus, have no outstanding debt at this time.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Crosby, Township Clerk, Courtland Township, 7450 - 14 Mile Road, Rockford, MI, 49341.

BASIC FINANCIAL STATEMENTS

COURTLAND TOWNSHIP
Statement of Net Assets
March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 1,869,768	\$ 187,317	\$ 2,057,085
Receivables:			
Taxes (Note C)	27,852	-	27,852
Accounts (Note F)	14,868	5,263	20,131
Due from tax roll (Note F)	-	866	866
Due from other governmental units	66,149	-	66,149
Total Current Assets	<u>1,978,637</u>	<u>193,446</u>	<u>2,172,083</u>
Noncurrent Assets			
Capital assets (Note E)	1,880,174	3,000,874	4,881,048
Less accumulated depreciation	(273,470)	(1,038,698)	(1,312,168)
Total Noncurrent Assets	<u>1,606,704</u>	<u>1,962,176</u>	<u>3,568,880</u>
Total Assets	<u>3,585,341</u>	<u>2,155,622</u>	<u>5,740,963</u>
Liabilities			
Current Liabilities			
Accounts payable	4,003	-	4,003
Due to other governmental units	42	65,765	65,807
Escrow deposits	37,724	-	37,724
Total Liabilities	<u>41,769</u>	<u>65,765</u>	<u>107,534</u>
Net Assets			
Invested in capital assets	1,606,704	1,962,176	3,568,880
Unrestricted	1,936,868	127,681	2,064,549
Total Net Assets	<u>\$ 3,543,572</u>	<u>\$ 2,089,857</u>	<u>\$ 5,633,429</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Activities
For the year ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$268,887	\$ 20,023	\$ -	\$ (248,864)	\$ -	\$(248,864)
Public safety	238,295	120,937	-	(117,358)	-	(117,358)
Public works	284,196	37,218	-	(246,978)	-	(246,978)
Other township	30,416	-	-	(30,416)	-	(30,416)
Total Governmental Activities	<u>\$821,794</u>	<u>\$ 178,178</u>	<u>\$ -</u>	<u>(643,616)</u>	<u>-</u>	<u>(643,616)</u>
Business-type activities:						
Sewer enterprise fund	<u>\$273,611</u>	<u>\$149,767</u>	<u>\$10,200</u>	<u>-</u>	<u>(113,644)</u>	<u>(113,644)</u>
General revenues:						
Property taxes levied for:						
General operations				186,288	-	186,288
Fire				200,992	-	200,992
State revenue sharing				397,594	-	397,594
Interest earnings				66,257	4,732	70,989
Other				5,176	-	5,176
Gain (loss) on sale of assets				(1,700)	-	(1,700)
Total General Revenues				<u>854,607</u>	<u>4,732</u>	<u>859,339</u>
Change in Net Assets				<u>210,991</u>	<u>(108,912)</u>	<u>102,079</u>
Net Assets - Beginning of Year				<u>3,332,581</u>	<u>2,198,769</u>	<u>5,531,350</u>
Net Assets - End of Year				<u>\$ 3,543,572</u>	<u>\$ 2,089,857</u>	<u>\$5,633,429</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2006

	General	Special Revenue Fire	Other Governmental Inland Lakes	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 1,496,804	\$ 316,824	\$ 56,140	\$ 1,869,768
Receivables:				
Taxes (Note C)	12,347	13,402	2,103	27,852
Accounts	4,183	-	-	4,183
Due from other funds (Note D)	181,124	-	-	181,124
Due from other governmental units	66,149	-	-	66,149
Total Assets	<u>\$ 1,760,607</u>	<u>\$ 330,226</u>	<u>\$ 58,243</u>	<u>\$ 2,149,076</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,003	\$ -	\$ -	\$ 4,003
Due to other funds (Note D)	-	170,439	-	170,439
Due to other governmental units	42	-	-	42
Escrow deposits	37,724	-	-	37,724
Total Liabilities	<u>41,769</u>	<u>170,439</u>	<u>-</u>	<u>212,208</u>
Fund balances:				
Unreserved:				
Undesignated, reported in:				
General fund	1,718,838	-	-	1,718,838
Special revenue funds	-	159,787	58,243	218,030
Total Fund Balances	<u>1,718,838</u>	<u>159,787</u>	<u>58,243</u>	<u>1,936,868</u>
Total Liabilities and Fund Balances	<u>\$ 1,760,607</u>	<u>\$ 330,226</u>	<u>\$ 58,243</u>	<u>\$ 2,149,076</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2006

Total governmental fund balances	\$ 1,936,868
---	--------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$1,880,174 and accumulated depreciation is \$273,470.

1,606,704

Total net assets - governmental activities

<u>\$ 3,543,572</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2006

	General	Special Revenue Fire	Other Governmental Inland Lakes	Total
Revenues				
Taxes	\$ 186,288	\$ 200,992	\$ 37,218	\$ 424,498
Licenses and permits	120,937	-	-	120,937
State sources	397,594	-	-	397,594
Charges for services	20,023	-	-	20,023
Interest and rentals	58,940	6,130	1,187	66,257
Other revenue	1,600	10,176	-	11,776
Total Revenues	785,382	217,298	38,405	1,041,085
Expenditures				
Current:				
General government	263,742	-	-	263,742
Public safety	109,368	177,265	-	286,633
Public works	243,891	-	40,305	284,196
Other township	30,416	-	-	30,416
Total Expenditures	647,417	177,265	40,305	864,987
Net Change in Fund Balances	137,965	40,033	(1,900)	176,098
Fund Balances, April 1	1,580,873	119,754	60,143	1,760,770
Fund Balances, March 31	\$ 1,718,838	\$ 159,787	\$ 58,243	\$ 1,936,868

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2006

Net change in fund balances - total governmental funds \$ 176,098

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which capital outlays exceeded
depreciation in the current period:

Capital outlays	\$ 84,835	
Depreciation expense	<u>(52,939)</u>	31,896

In the Statement of Activities, only the gain on the sale of capital assets
is reported, whereas in the governmental funds, the proceeds from the
sale(s) increase financial resources. Thus, the change in net assets
differs from the change in fund balance by the cost of the assets sold.

(8,300)

Correction of prior year's accumulated depreciation at March 31, 2005.

11,297

Total changes in net assets - governmental activities \$ 210,991

COURTLAND TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 175,200	\$ 175,200	\$ 186,288	\$ 11,088
Licenses and permits	154,600	154,600	120,937	(33,663)
State sources	380,000	380,000	397,594	17,594
Charges for services	23,250	23,250	20,023	(3,227)
Interest and rentals	27,100	27,100	58,940	31,840
Other revenue	1,500	1,500	1,600	100
Total Revenues	<u>761,650</u>	<u>761,650</u>	<u>785,382</u>	<u>23,732</u>
Expenditures				
Current:				
General government:				
Township board	12,750	12,750	12,734	16
Supervisor	21,730	21,730	22,804	(1,074)
Elections	3,950	3,950	1,548	2,402
Assessor	47,550	47,550	42,696	4,854
Legal and audit	27,500	27,500	18,276	9,224
Clerk	33,300	33,300	31,982	1,318
General administration	139,200	139,200	77,366	61,834
Treasurer	40,300	40,300	33,219	7,081
Buildings and grounds	19,300	19,300	13,227	6,073
Cemetery	17,950	17,950	9,890	8,060
Total general government	<u>363,530</u>	<u>363,530</u>	<u>263,742</u>	<u>99,788</u>
Public safety:				
Inspections	120,000	120,000	82,323	37,677
Planning	40,350	40,350	27,045	13,305
Total public safety	<u>160,350</u>	<u>160,350</u>	<u>109,368</u>	<u>50,982</u>
Public works:				
Drains	6,000	6,000	4,791	1,209
Highways, streets and bridges	247,000	247,000	235,720	11,280
Street lighting	2,000	2,000	3,380	(1,380)
Total public works	<u>255,000</u>	<u>255,000</u>	<u>243,891</u>	<u>11,109</u>
Other township	<u>33,600</u>	<u>33,600</u>	<u>30,416</u>	<u>3,184</u>
Capital outlay	150,000	150,000	-	150,000
Contingency	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total Expenditures	<u>1,007,480</u>	<u>1,007,480</u>	<u>647,417</u>	<u>360,063</u>
Net Change in Fund Balances	<u>(245,830)</u>	<u>(245,830)</u>	<u>137,965</u>	<u>383,795</u>
Fund Balances, April 1	<u>1,580,873</u>	<u>1,580,873</u>	<u>1,580,873</u>	<u>-</u>
Fund Balances, March 31	<u>\$ 1,335,043</u>	<u>\$ 1,335,043</u>	<u>\$ 1,718,838</u>	<u>\$ 383,795</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 174,400	\$ 200,992	\$ 26,592
Interest and rentals	4,000	6,130	2,130
Other revenue	300	10,176	9,876
Total Revenues	<u>178,700</u>	<u>217,298</u>	<u>38,598</u>
Expenditures			
Current:			
Public safety	<u>213,506</u>	<u>177,265</u>	<u>36,241</u>
Net Change in Fund Balances	<u>(34,806)</u>	<u>40,033</u>	<u>74,839</u>
Fund Balances, April 1	<u>119,754</u>	<u>119,754</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 84,948</u></u>	<u><u>\$ 159,787</u></u>	<u><u>\$ 74,839</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Net Assets
Proprietary Fund
March 31, 2006

	<u>Sewer Enterprise</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 187,317
Receivables:	
Accounts (Note F)	5,263
Due from tax roll (Note F)	<u>866</u>
Total Current Assets	<u>193,446</u>
Noncurrent Assets	
Capital assets (Note E)	3,000,874
Less accumulated depreciation	<u>(1,038,698)</u>
Total Noncurrent Assets	<u>1,962,176</u>
Total Assets	<u>2,155,622</u>
Liabilities	
Current Liabilities	
Due to other governmental units	<u>65,765</u>
Net Assets	
Invested in capital assets	1,962,176
Unrestricted	<u>127,681</u>
Total Net Assets	<u><u>\$ 2,089,857</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Fund
For the year ended March 31, 2006

	Sewer Enterprise
Operating Revenues	
Charges for services	\$ 149,767
Operating Expenses	
Sewer:	
Salaries	2,014
Social Security taxes	160
Operating supplies	3,780
Audit fees	1,500
Engineering fees	1,110
Commodity charges	22,263
Operation and maintenance	177,511
Other expense	98
Depreciation	41,565
Total Operating Expenses	250,001
Operating Loss	(100,234)
Nonoperating Revenues (Expenses)	
Connection fees	10,200
Interest income	4,732
Contributions to North Kent Sewer Authority	(23,610)
Net Nonoperating Revenues (Expenses)	(8,678)
Net Loss	(108,912)
Net Assets, April 1	2,198,769
Net Assets, March 31	\$ 2,089,857

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Cash Flows
Proprietary Fund Type
For the year ended March 31, 2006

	Sewer Enterprise
Cash Flows From Operating Activities	
Received from customers	\$ 151,102
Payments to suppliers	(159,356)
Payments to employees	(2,174)
Net Cash Provided By (Used For) Operating Activities	<u>(10,428)</u>
Cash Flows From Capital and Related Financing Activities	
Connection charges	23,398
Contributions to North Kent Sewer Authority	(23,610)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(212)</u>
Cash Flows From Investing Activities	
Interest received	<u>4,732</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(5,908)
Cash and Cash Equivalents, beginning of year	<u>193,225</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 187,317</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities	
Operating loss	<u>\$ (100,234)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	41,565
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(749)
(Increase) decrease in due from property tax roll	2,028
Increase (decrease) in due to other governmental units	<u>46,962</u>
Total adjustments	<u>89,806</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (10,428)</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
March 31, 2006

	Agency Fund
	<hr/>
Assets	
Cash equivalents, deposits and investments (Note B)	<u><u>\$ 10,795</u></u>
Liabilities	
Due to other funds (Note D)	\$ 10,685
Due to other governmental units	<u>110</u>
Total Liabilities	<u><u>\$ 10,795</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note A – Summary of Significant Accounting Policies

Courtland Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and four Trustees, each of whom is elected for a four year term of office. The Township provides, or contributes to the providing of, the following services to its residents as provided by statute: public safety (police, fire and inspections), highways and streets, parks and recreation, cultural, public improvements, planning and zoning, general administrative, sewage disposal and other services.

The financial statements of Courtland Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Courtland. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – The fund financial statements provide information about the Township’s funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for property tax revenues levied to maintain the operations and capital improvements of the Township Fire Department.

The Township reports the following enterprise fund:

The *Sewer Enterprise Fund* accounts for the operation of the Township's sanitary sewer system.

Additionally, the Township reports the following funds:

The *Inland Lakes Special Revenue Fund* levies property taxes to be used for weed control at Township lakes.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, sewer system, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, sewer system, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-40 years
Sewer system	50 years
Vehicles	5-20 years
Furniture and equipment	5-15 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Balances at March 31, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:	
Primary government	\$ 2,057,085
Cash equivalents, deposits and investments of Fiduciary Funds:	
Primary government:	
Agency	<u>10,795</u>
	<u>\$ 2,068,680</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Independent Bank West
2. JP Morgan Chase Bank, N.A.

March 31, 2006 balances are detailed as follows:

	Primary Government
	<u>\$ 182,286</u>
Deposits	

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$182,286 and the bank balance was \$200,787. Of the bank balance \$111,304 was covered by federal depository insurance and \$89,483 was uninsured and uncollateralized.

Investments

The Township had balances totaling \$1,885,594 in the Kent County Surplus Funds Investment Pool at March 31, 2006.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Courtland Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

“prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Funds of Courtland Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Courtland Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: Courtland Township’s investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Courtland Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and Kent County become due and payable on December 1 of each year. Property taxes for school districts become due and payable on July 1 and December 1, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Township property tax revenues are recognized in the General and Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2005 property tax roll, levied December 1, 2005, represents revenue for the fiscal year ended March 31, 2006.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent Intermediate School District, Rockford Public Schools and Cedar Springs Public Schools. Collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted to levy up to 1.1 mills of general property taxes on the assessed valuation in the Township. Due to the effect of the Headlee Amendment, the actual tax levy was reduced to 0.8232 mills for 2005-06 general operations. The Township also levied 0.8935 mills for fire department operations.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2005	2004	2003	2002
Township taxes levied	\$386,122	\$359,353	\$334,363	\$310,866
Taxes collected:				
Current to March 1	360,031	335,332	314,505	289,905
Total to March 31, 2006	360,031	335,011	333,419	310,866
Percentages of collections:				
Current to March 1	93.24%	93.32%	94.06%	93.26%
Total to March 31, 2006	93.24%	99.90%	99.72%	100.00%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2006 valuations in the following summary:

Year	Real	Personal	Total
2006	\$238,846,163	\$5,278,400	\$244,124,563
2005	219,814,675	5,125,100	224,939,775
2004	201,080,450	4,917,000	205,997,450
2003	184,175,818	5,359,400	189,535,218
2002	168,389,189	5,054,500	173,443,689
2001	154,594,853	4,718,100	159,312,953
2000	139,723,816	4,376,600	144,100,416
1999	130,811,202	4,205,100	135,016,302
1998	119,933,464	3,750,200	123,683,664
1997	109,438,277	3,377,900	112,816,177
1996	99,296,316	3,260,100	102,556,416

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds at March 31, 2006 are detailed as follows:

	Due From	Due To
General Fund:		
Fire Special Revenue Fund	\$ 170,439	\$ —
Tax Account Agency Fund	10,685	—
Special Revenue Funds:		
Fire Special Revenue Fund:		
General Fund	—	170,439
Agency Fund:		
Tax Account Agency Fund:		
General Fund	—	10,685
	<u>\$ 181,124</u>	<u>\$ 181,124</u>

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2006</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 47,745	\$ —	\$ —	\$ 47,745
Capital assets being depreciated:				
Land improvements	40,262	—	—	40,262
Buildings and improvements	1,337,752	—	—	1,337,752
Furniture and equipment	142,694	—	—	142,694
Vehicles	241,486	84,835	14,600	311,721
	<u>1,809,939</u>	<u>\$ 84,835</u>	<u>\$ 14,600</u>	<u>1,880,174</u>
Totals at historical cost				
	<u>1,809,939</u>	<u>\$ 84,835</u>	<u>\$ 14,600</u>	<u>1,880,174</u>
Less accumulated depreciation for:				
Land improvements	\$ 8,500	\$ 2,013	\$ —	\$ 10,513
Buildings and improvements	116,418	30,099	—	146,517
Furniture and equipment	30,503	8,463	11,297	27,669
Vehicles	82,707	12,364	6,300	88,771
	<u>238,128</u>	<u>\$ 52,939</u>	<u>\$ 17,597</u>	<u>273,470</u>
Total accumulated depreciation				
	<u>238,128</u>	<u>\$ 52,939</u>	<u>\$ 17,597</u>	<u>273,470</u>
Net Capital Assets –				
Governmental Activities	<u>\$ 1,571,811</u>			<u>\$ 1,606,704</u>

Depreciation expense was charged to Township governmental functions as follows:

Governmental activities:	
General government	\$ 16,442
Public safety	36,497
	<u>52,939</u>
Total Depreciation Expense	<u>\$ 52,939</u>

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2006</u>
Business-Type Activities				
Capital assets being depreciated:				
Sewer system	\$ 3,000,874	\$ —	\$ —	\$ 3,000,874
Less accumulated depreciation	997,133	41,565	—	1,038,698
	<u>997,133</u>	<u>41,565</u>	<u>—</u>	<u>1,038,698</u>
Net Capital Assets –				
Business-Type Activities	<u>\$ 2,003,741</u>			<u>\$ 1,962,176</u>

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2006

Note F –Receivables

Amounts shown as accounts receivable of the Enterprise Funds consist of current and delinquent sewer usage charges.

Amounts due from the general property tax roll represent sewer bills that are delinquent six months as of September 1 each year and are certified to the general property tax roll as of that date together with interest at 6% per annum. These amounts are then included with the general property taxes which become due and payable December 1 each year and become a lien on the property as of that date.

Note G – Accounts Payable

Accounts payable represent expenditures and operating expenses incurred during the year ended March 31, 2006, but not paid until subsequent to the close of the Township's fiscal year.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

COURTLAND TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,496,804	\$ 1,418,879
Receivables:		
Taxes	12,347	11,487
Accounts	4,183	8,719
Due from other funds	181,124	186,178
Due from other governmental units	<u>66,149</u>	<u>61,425</u>
Total Assets	<u><u>\$ 1,760,607</u></u>	<u><u>\$ 1,686,688</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,003	\$ 8,283
Due to other funds	-	1,414
Due to other governmental units	42	-
Escrow deposits	<u>37,724</u>	<u>96,118</u>
Total Liabilities	<u>41,769</u>	<u>105,815</u>
Fund Balances		
Unreserved:		
Undesignated	<u>1,718,838</u>	<u>1,580,873</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,760,607</u></u>	<u><u>\$ 1,686,688</u></u>

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2006 and 2005

	2006	2005
Taxes:		
Current property taxes	\$ 185,111	\$ 173,465
Street lighting assessment	1,084	-
Other taxes	93	-
Delinquent property taxes	-	410
Penalties and interest on taxes	-	121
	<u>186,288</u>	<u>173,996</u>
Licenses and permits:		
Cable television fees	29,488	24,599
Right-of-way fees	5,932	5,342
Building permits	42,150	71,177
Electrical permits	11,563	11,752
Mechanical permits	17,004	17,976
Plumbing permits	14,713	16,646
Dog licenses	87	92
	<u>120,937</u>	<u>147,584</u>
Federal sources:		
Vote America grant	-	21,076
State sources:		
Sales taxes	397,594	395,844
Charges for services:		
Planning commission fees	2,200	3,300
Zoning and appeals fees	1,400	1,600
Summer tax collection fees	10,553	10,153
Grave openings	3,070	4,380
Sale of cemetery lots	2,800	4,200
	<u>20,023</u>	<u>23,633</u>
Interest and rentals:		
Interest on deposits and investments	57,040	28,110
Rentals	1,900	2,650
	<u>58,940</u>	<u>30,760</u>
Other revenue:		
Courtland Crossings settlement	-	111,647
Miscellaneous	1,600	1,341
	<u>1,600</u>	<u>112,988</u>
Total Revenues	<u><u>\$ 785,382</u></u>	<u><u>\$ 905,881</u></u>

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Current:		
General government:		
Township board:		
Salaries	\$ 12,400	\$ 6,933
Travel and expenses	334	381
	<u>12,734</u>	<u>7,314</u>
Supervisor:		
Salaries:		
Supervisor	20,000	20,000
Assistant	2,053	1,747
Office supplies	-	33
Travel and expenses	751	614
	<u>22,804</u>	<u>22,394</u>
Elections:		
Election workers salaries	819	4,215
Office supplies	729	426
Contracted services	-	445
New equipment	-	21,076
	<u>1,548</u>	<u>26,162</u>
Assessor:		
Salaries:		
Assessor	33,000	31,000
Deputy	8,694	9,633
Office supplies	617	2,030
Travel and expenses	365	497
Dues and memberships	20	195
	<u>42,696</u>	<u>43,355</u>
Legal and audit:		
Legal fees	9,526	14,065
Audit fees	8,750	6,760
	<u>18,276</u>	<u>20,825</u>
Clerk:		
Salaries:		
Clerk	23,000	20,000
Deputy	7,994	8,643
Travel and expenses	306	382
Legal notices and publications	682	736
	<u>31,982</u>	<u>29,761</u>
General administration:		
Clerical salaries	16,337	17,712
Office supplies	1,319	2,042
Postage	5,281	4,860
Telephone	3,874	6,422
Community relations	13,207	7,351
Community cable	2,949	2,436
Newsletter	2,193	1,333
Equipment maintenance	18,713	9,607
Dues and memberships	8,143	9,947
New equipment	5,350	9,838
	<u>77,366</u>	<u>71,548</u>

(Continued)

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Treasurer:		
Salaries:		
Treasurer	\$ 23,000	\$ 20,000
Deputy	5,779	10,123
Office supplies	51	1,742
Property tax administration system	4,025	5,473
Travel and expenses	364	667
	<u>33,219</u>	<u>38,005</u>
Buildings and grounds:		
Custodial and maintenance salaries	2,989	2,649
Supplies	555	1,289
Utilities	5,707	5,787
Repair and maintenance	3,522	3,527
Equipment maintenance	314	-
New equipment	140	848
	<u>13,227</u>	<u>14,100</u>
Cemetery:		
Supplies	-	108
Contracted services	1,570	4,230
Utilities	200	177
Grounds maintenance	8,120	19,128
	<u>9,890</u>	<u>23,643</u>
Total general government	<u>263,742</u>	<u>297,107</u>
Public safety:		
Inspections:		
Salaries:		
Building inspector	40,360	67,619
Mechanical inspector	16,842	17,077
Electrical inspector	11,455	11,693
Plumbing inspector	13,210	15,813
Supplies	328	227
Miscellaneous	128	149
	<u>82,323</u>	<u>112,578</u>
Planning and zoning:		
Salaries:		
Zoning administrator	12,000	11,000
Clerical	777	1,552
Planning commission	6,370	4,175
Supplies	95	95
Professional services	7,318	7,404
Master plan development	485	404
	<u>27,045</u>	<u>24,630</u>
Total public safety	<u>109,368</u>	<u>137,208</u>
Public works:		
Drains:		
Kent County drain assessment	4,791	2,000

(Continued)

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Highways, streets and bridges:		
Road construction	\$ 228,607	\$ 376,472
Dust layer	7,113	5,894
	<u>235,720</u>	<u>382,366</u>
Street lighting:		
Utilities	3,380	1,076
	<u>3,380</u>	<u>1,076</u>
Total public works	<u>243,891</u>	<u>385,442</u>
Other township:		
Social Security taxes	14,255	13,612
Insurance and bonds	14,890	13,254
Miscellaneous	1,271	5,273
	<u>30,416</u>	<u>32,139</u>
Total other township	<u>30,416</u>	<u>32,139</u>
Total Expenditures	<u><u>\$ 647,417</u></u>	<u><u>\$ 851,896</u></u>

NONMAJOR GOVERNMENTAL FUNDS

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2006

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 37,547	\$ 37,218	\$ (329)
Interest and rentals	575	1,187	612
Total Revenues	<u>38,122</u>	<u>38,405</u>	<u>283</u>
Expenditures			
Current:			
Public works	48,900	40,305	8,595
Net Change in Fund Balances	(10,778)	(1,900)	8,878
Fund Balances, April 1	<u>60,143</u>	<u>60,143</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 49,365</u></u>	<u><u>\$ 58,243</u></u>	<u><u>\$ 8,878</u></u>

SPECIAL REVENUE FUNDS

Fire — to accumulate property tax revenues and interest earnings to maintain the Township Fire Department.

Inland Lakes Improvement — to account for taxes levied for weed control purposes on Big Brower Lake, Little Brower Lake and Myers Lake.

**COURTLAND TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents	\$ -	\$ 12,577
Investments	316,824	279,408
Taxes receivable	13,402	12,467
Due from other funds	<u>-</u>	<u>1,414</u>
Total Assets	<u><u>\$ 330,226</u></u>	<u><u>\$ 305,866</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 170,439</u>	<u>\$ 186,112</u>
Fund Balances		
Unreserved:		
Undesignated	<u>159,787</u>	<u>119,754</u>
Total Liabilities and Fund Balances	<u><u>\$ 330,226</u></u>	<u><u>\$ 305,866</u></u>

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Taxes:		
Current property taxes	\$ 200,992	\$ 186,986
Delinquent property taxes	-	126
Federal sources:		
FEMA grant	-	42,795
Interest and rentals:		
Interest on deposits and investments	6,130	4,962
Other revenue:		
Sale of assets	6,600	-
Miscellaneous	3,576	588
	<u>217,298</u>	<u>235,457</u>
Total Revenues	<u>217,298</u>	<u>235,457</u>
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief	20,500	20,000
Deputy fire chief	3,700	3,400
Firefighters	14,228	15,154
Custodial	1,551	1,100
Social Security taxes	3,511	3,334
Supplies	851	1,345
Gas and oil	4,022	3,325
Rescue supplies	626	1,286
Physical examinations	1,620	2,224
Travel, workshops and conferences	1,500	1,727
Education	2,450	3,044
Insurance and bonds	1,448	3,191
Utilities	11,127	10,301
Building maintenance	1,801	1,521
Equipment maintenance	1,720	563
Vehicle maintenance	3,988	2,014
County fire assessment	5,619	5,419
Dues and memberships	105	187
Miscellaneous	2,752	3,864
New building	-	486,112
New equipment	9,311	52,298
New vehicles	84,835	-
	<u>177,265</u>	<u>621,409</u>
Total Expenditures	<u>177,265</u>	<u>621,409</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>40,033</u>	<u>(385,952)</u>
Other Financing Sources		
Transfers in	-	100,000
	<u>40,033</u>	<u>(285,952)</u>
Net Change in Fund Balances	<u>40,033</u>	<u>(285,952)</u>
Fund Balances, April 1	<u>119,754</u>	<u>405,706</u>
Fund Balances, March 31	<u><u>\$ 159,787</u></u>	<u><u>\$ 119,754</u></u>

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Comparative Balance Sheet
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 56,140	\$ 57,956
Taxes receivable	<u>2,103</u>	<u>2,187</u>
Total Assets	<u><u>\$ 58,243</u></u>	<u><u>\$ 60,143</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>58,243</u>	<u>60,143</u>
Total Liabilities and Fund Balances	<u><u>\$ 58,243</u></u>	<u><u>\$ 60,143</u></u>

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Taxes:		
Weed control assessments	\$ 37,218	\$ 37,448
Interest and rentals:		
Interest on investments	<u>1,187</u>	<u>705</u>
Total Revenues	<u>38,405</u>	<u>38,153</u>
Expenditures		
Current:		
Public works:		
Weed control services	<u>40,305</u>	<u>33,936</u>
Net Change in Fund Balances	(1,900)	4,217
Fund Balances, April 1	<u>60,143</u>	<u>55,926</u>
Fund Balances, March 31	<u><u>\$ 58,243</u></u>	<u><u>\$ 60,143</u></u>

ENTERPRISE FUND

Sewer Enterprise - to account for the provision of sewer services to the residents of the Township. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, administration, debt service, construction and billing and collection.

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Balance Sheet
March 31, 2006 and 2005

Assets	<u>2006</u>	<u>2005</u>
Current Assets		
Cash equivalents, deposits and investments	\$ 187,317	\$ 193,225
Receivables:		
Accounts	5,263	4,514
Due from property tax roll	866	2,894
Special assessments	<u>-</u>	<u>13,198</u>
Total Current Assets	<u>193,446</u>	<u>213,831</u>
Noncurrent Assets		
Capital assets	3,000,874	3,000,874
Less accumulated depreciation	<u>(1,038,698)</u>	<u>(997,133)</u>
Net capital assets	<u>1,962,176</u>	<u>2,003,741</u>
Total Assets	<u><u>\$ 2,155,622</u></u>	<u><u>\$ 2,217,572</u></u>
 Liabilities and Fund Equity		
Liabilities		
Current liabilities:		
Due to other governmental units	<u>\$ 65,765</u>	<u>\$ 18,803</u>
Fund Equity		
Retained earnings:		
Unreserved	<u>2,089,857</u>	<u>2,198,769</u>
Total Liabilities and Fund Equity	<u><u>\$ 2,155,622</u></u>	<u><u>\$ 2,217,572</u></u>

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Schedule of Revenues, Expenses and Changes in Retained Earnings
For the years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Charges for services:		
Sewer usage charges	\$ 149,140	\$ 131,760
Permits and inspections	627	2,442
Total Operating Revenues	<u>149,767</u>	<u>134,202</u>
Operating Expenses		
Sewer:		
Salaries	2,014	2,014
Social Security taxes	160	155
Operating supplies	3,780	416
Audit fees	1,500	1,500
Engineering fees	1,110	7,293
Commodity charges	22,263	24,262
Operation and maintenance	177,511	111,502
Other expenses	98	848
Depreciation	41,565	41,565
Total Operating Expenses	<u>250,001</u>	<u>189,555</u>
Operating Loss	<u>(100,234)</u>	<u>(55,353)</u>
Nonoperating Revenues (Expenses)		
Connection fees	10,200	61,901
Interest income	4,732	3,130
Contributions to North Kent Sewer Authority	(23,610)	(24,611)
Net Nonoperating Revenues (Expenses)	<u>(8,678)</u>	<u>40,420</u>
Net Loss	<u>(108,912)</u>	<u>(14,933)</u>
Retained Earnings, April 1	<u>2,198,769</u>	<u>2,213,702</u>
Retained Earnings, March 31	<u><u>\$ 2,089,857</u></u>	<u><u>\$ 2,198,769</u></u>

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Schedule of Cash Flows
For the years ended March 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Cash received from customers	\$ 151,102	\$ 132,930
Cash payments to suppliers	(159,356)	(143,544)
Cash payments to employees	(2,174)	(2,169)
Net Cash Provided By (Used For) Operating Activities	<u>(10,428)</u>	<u>(12,783)</u>
Cash Flows From Capital and Related Financing Activities		
Connection charges	23,398	68,500
Contributions to North Kent Sewer Authority	(23,610)	(24,611)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(212)</u>	<u>43,889</u>
Cash Flows From Investing Activities		
Interest received	4,732	3,130
Net Increase (Decrease) In Cash and Cash Equivalents	(5,908)	34,236
Cash and Cash Equivalents, beginning of year	193,225	158,989
Cash and Cash Equivalents, end of year	<u><u>\$ 187,317</u></u>	<u><u>\$ 193,225</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities		
Operating loss	<u>\$ (100,234)</u>	<u>\$ (55,353)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	41,565	41,565
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(749)	(218)
(Increase) decrease in due from property tax roll	(2,028)	(1,054)
Increase (decrease) in due to other governmental units	46,962	2,277
Total adjustments	<u>89,806</u>	<u>42,570</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (10,428)</u></u>	<u><u>\$ (12,783)</u></u>

AGENCY FUND

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses, delinquent special assessments and delinquent quarterly sewer charges and payment to the governmental units, funds or other persons entitled to receive these funds.

COURTLAND TOWNSHIP
Tax Account Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended March 31, 2006

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2006</u>
Assets				
Deposits	\$ 3,385	\$ 6,821,282	\$ 6,813,872	\$ 10,795
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Accounts payable	\$ -	\$ 25,888	\$ 25,888	\$ -
Due to other funds	66	413,506	402,887	10,685
Due to other governmental units	3,319	6,381,888	6,385,097	110
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 3,385	\$ 6,821,282	\$ 6,813,872	\$ 10,795
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

OTHER INFORMATION

COURTLAND TOWNSHIP
Summary of 2005 Taxes Levied and Collected
For the year ended March 31, 2006

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$224,939,775	5.31400	\$ 1,195,266	\$ 71,784	\$ 1,123,482
Meyers Lake well			33,570	1,430	32,140
Beaver Dam drain			6,567	230	6,337
Total Kent County			1,235,403	73,444	1,161,959
Kent District Library	224,939,775	0.88000	197,932	13,374	184,558
State Education Tax		6.00000			
Cedar Springs Public Schools	69,253,925		415,520	26,651	388,869
Rockford Public Schools	155,685,850		934,108	26,779	907,329
Total State Education Tax			1,349,628	53,430	1,296,198
School Districts					
Kent Intermediate School District	224,939,775	4.53330	1,044,897	41,366	1,003,531
Grand Rapids Community College	224,939,775	1.78650	401,839	15,909	385,930
Cedar Springs Public Schools:					
Other	69,253,925	7.00000	484,773	31,093	453,680
Operating	9,686,914	18.00000	188,499	47,005	141,494
Rockford Public Schools:					
Other	155,685,850	9.50000	1,478,182	67,420	1,410,762
Operating	15,761,229	18.00000	365,900	36,999	328,901
Total School Districts			3,964,090	239,792	3,724,298
Courtland Township	224,939,775				
Operating		0.82320	185,154	12,511	172,643
Fire protection		0.89350	200,967	13,579	187,388
Special levies:					
Street light assessment			1,084	-	1,084
Weed control			37,218	2,103	35,115
Delinquent sewer/water			3,788	866	2,922
Total Courtland Township			428,211	29,059	399,152
Total Ad Valorem Taxes			<u>\$ 7,175,264</u>	<u>\$ 409,099</u>	<u>\$ 6,766,165</u>

COURTLAND TOWNSHIP
Summary of 2005 Taxes Levied and Collected
For the year ended March 31, 2006

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Commercial Forest Taxes</u>					
Kent County	\$ 3,480	2.65700	\$ 9	\$ -	\$ 9
Kent District Library	3,480	0.44000	2	-	2
State Education Tax					
Rockford Public Schools	3,480	3.00000	10	-	10
School Districts					
Kent Intermediate School District	3,480	2.26665	7	-	7
Grand Rapids Community College	3,480	0.89325	3	-	3
Rockford Public Schools:					
Other	3,480	4.75000	14	-	14
Operating	3,480	9.00000	48	-	48
Courtland Township	3,480				
Operating		0.41160	1	-	1
Fire protection		0.44675	2	-	2
Total Commercial Forest Taxes			<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 96</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s AND CONSULTANTS

July 12, 2006

The Township Board
Courtland Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Courtland Township as of and for the year ended March 31, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Courtland Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Courtland Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Courtland Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report. As described in Note A, Courtland Township changed accounting policies related to financial reporting by adopting GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments in fiscal year 2004-05*

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial records of Courtland Township. We found that the internal control structure and accounting system was adequate and operating in the manner intended. We did make several non-material adjusting or reclassification journal entries to bring the new Township computer accounting record keeping system into agreement with prior year audited figures and current fiscal year payroll and withholding tax figures.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$11,487 and \$12,347 to reverse and accrue prior and current year taxes receivable.
2. \$8,719 and \$4,183 to reverse and accrue prior and current year end accounts receivable for inspection fees.
3. \$8,283 and \$8,283 to reverse and accrue prior and current year end accounts payable for inspection fees.
4. \$61,425 and \$66,149 to reverse and accrue final state revenue sharing payments receivable at year end.
5. \$24,356 to correct payroll and withholding taxes from transfer to new computer accounting system.

Inland Lakes Improvement Fund

1. \$2,103 and \$2,187 to reverse and accrue year end taxes receivable.

Fire Fund

1. \$12,467 and \$13,402 to reverse and accrue year end taxes receivable.
2. \$2,568 to correct payroll and withholding taxes from the transfer to the new computer accounting system.

Sewer Enterprise Fund

1. \$41,565 to record 2005-06 depreciation expense on system assets.
2. \$7,408 and \$6,129 to reverse and accrue prior and current year end accounts receivable.
3. \$18,803 and \$65,765 to reverse and accrue prior and current year end accounts payable.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Courtland Township.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting.

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This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Courtland Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Courtland Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants